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Prospects for Foreign Trade in

OILSEEDS AND OILSEED PRODUCTS

Foreign Agricultural Service
UNITED STATES DEPARTMENT OF AGRICULTURE
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PROSPECTS FOR FOREIGN TRADE IN OILSEEDS AND OILSEED PRODUCTS

SUMMARY

World production of fats and oils in 1963 will be about the same as a year earlier. This forecast is based on fractional declines expected in vegetable and marine oils, a slightly larger outturn of palm and industrial oils, and a continued expansion of animal fats.

As to effect on world trade, the most significant production change from the 1962 level will occur in the important edible vegetable oil group. A continued rise in U. S. soybean oil production will probably be offset by sharply lower olive oil output in the Mediterranean area.

For the 1962-63 marketing year, the United States is expected to export a record quantity of soybeans and edible vegetable oils and about as much meal as last year's all-time high. The oilseed meal market of Western Europe will continue to expand, and the United States is the only country that can offer a continuous large supply of soybeans and soybean meal for export. A reduction of edible fats and oils stocks by most Western European countries last year will encourage increased oilseed imports in 1962-63.

Prospects for U. S. vegetable oil exports for dollars appear quite favorable in 1962-63. Small olive crops throughout the Mediterranean area will require large imports of edible oil to maintain adequate supplies for local consumption. U. S. oil exports to less developed countries via government programs are expected to expand sharply this year, in part because of continuing FAS studies to identify specific problems of a foreign market. The study results are rapidly made available to U. S. trade interests, which then follow up with their own marketing efforts.

U. S. exports of oilseed meals will continue heavy this year. In the economically advanced countries of Western Europe, and in Japan, Canada, and others, domestic production and consumption of livestock products is increasing steadily. To insure adequate feed supplies these countries must import, and thus they apply negligible or no restrictions on oilseed meal imports.

Developments in the fats and oils sector of the European Economic Community (EEC) in 1962-63 could greatly affect U. S. exports of oilseeds and oilseed products in the long run. The EEC will soon be renewing the overseas convention with the associated countries and territories. Under the convention it is planned to work towards the elimination of high agreement prices paid by France to African oilseed producers. Reduction of agreement prices will begin on a limited scale with some of the 1963 palm crops. It is also proposed to give these countries aid which will enable them to diversify their agricultural economies, and better their competitive position through increased efficiency.

In 1963, U. S. representatives will continue to work for the reduction or elimination of tariffs, and the removal of non-tariff restrictions by foreign countries on imports of oilseeds and oilseed products. Late last fall, our representatives at the General Agreement on Tariffs and Trade (GATT) sessions in Geneva protested the continuance of non-tariff restrictions by France, as a violation of GATT, on imports of soybeans, flaxseed, cottonseed, and the oils of these oilseeds. France's oilseed economy is largely controlled by a State trading organization that regulates imports. As a growing livestock industry requires oilseed meals, France has adopted a more liberal policy on meal imports. Oilseed and vegetable oil imports, however, largely still are limited to imports from the former French West African countries.

TABLE 1. — Fats and oils: Exports of selected fats and oils, 1957-62

Item	1957	1958	1959	1960	1961	1962 ^{1/}
	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons
United States: ^{2/}						
Lard.	295	231	304	358	257	252
Tallow and grease.	713	554	656	859	885	855
Fish and marine oils	68	31	76	76	66	65
Soybean and cottonseed oils	615	526	672	728	545	900
Soybeans (oil basis)	469	470	605	778	715	842
Butter (fat content):						
Australia.	58	57	75	60	71	85
New Zealand	134	161	179	145	152	145
Palm oil:						
Republic of the Congo	169	180	202	186	171	160
Nigeria	186	191	206	205	184	150
Malaya	68	89	87	107	105	110
Indonesia	142	145	114	120	130	120
Palm kernels and oil:						
Republic of the Congo	75	83	87	68	61	55
Nigeria	209	222	217	211	207	200
Former French West Africa . .	39	49	45	52	43	45
Copra, coconut oil:						
Philippines ^{2/}	886	775	573	687	820	725
Indonesia	247	142	128	160	187	100
Others	430	383	395	369	460	360
Fish oil:						
Peru.	5	2	19	39	113	149
Republic of South Africa. . .	11	18	27	37	51	53
Edible vegetable oils: ^{3/}						
China	314	386	430	335	88	90
Argentina	61	113	^{2/} 40	^{2/} 46	^{2/} 103	^{2/} 70
India ^{2/}	4	3	22	32	6	25
Canada ^{2/}	37	56	51	26	70	60
Nigeria ^{2/}	210	252	327	217	276	325
Former French West Africa. .	278	329	297	289	338	345

^{1/}Preliminary. ^{2/}Crop year ending September 30 in year shown. ^{3/}For China, includes oil equivalent of soybeans, peanuts, and other oilseeds plus exports of edible vegetable oils; for Argentina, peanut, sunflowerseed, cottonseed, and olive oils; for India, peanut oil; for Canada, rapeseed and oil, (oil basis); for Nigeria, peanuts and peanut oil (oil basis); for former French West Africa, peanuts and peanut oil (oil basis).

MAJOR NONTARIFF BARRIERS TO IMPORTS OF OILSEEDS AND OILSEED PRODUCTS

As of Jan. 1963

AREA AND COUNTRY	SOYBEANS	FLAXSEED	OILSEED MEAL	SOYBEAN OIL	COTTON-SEED OIL	LINSEED OIL	TYPE OF CONTROL
Common Market							<input type="checkbox"/> No import controls
Belgium-Lux.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> Imports limited by volume (quota and/or licensing)
France	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> Imports limited by licensing
Germany, F. R.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> Imports subject to exchange controls
Italy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> Imports limited by surtax and/or advance import deposit
Netherlands	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> Imports prohibited except under special decree
Other Europe							
Denmark	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Norway	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sweden	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
United Kingdom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other Countries							
Canada	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Chile	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Colombia	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Japan	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

* Refined oil

Informal GATT discussions with Italian officials last fall resulted in the liberalization of that country's restrictions on crude linseed oil imports from dollar areas. Italy further agreed to make some increase in the annual import quota for soybean oil from the low 1962 level of \$550,000. The full benefit to U. S. exporters of the removal of these restrictions on edible vegetable oils will probably not be realized until other Italian taxes and levies on imported oils are eliminated. Presumably this development will come about when a common agricultural policy for fats and oils comes into effect toward the end of the present decade.

CURRENT WORLD SITUATION

Production and Trade of Sino-Soviet Bloc

Communist China's 1962 soybean crop probably was down slightly from a year ago. Although growing conditions were reportedly somewhat improved from a year earlier, acreage planted to soybeans was believed to have been reduced in favor of more grain to relieve domestic food shortages. The Soviet Union's 1962 sunflower crop may be about the same as the record outturn of a year ago. The Soviets reportedly have developed varieties of sunflowers with a seed oil content of nearly 40 percent, compared to a normal 25 percent oil content. The 1962 outturn of sunflowerseed in Eastern Europe was expected to be about the same as a year earlier. In Rumania, acreage was reduced, and dry weather in addition probably lowered the per-acre yield. A small increase was expected in Bulgaria's sunflower production last year.

The fats and oils trade position of the Sino-Soviet Bloc will continue to be one of limited exports in 1962-63. Imports by the Bloc may decline slightly as the Soviet Union probably had large carry-in stocks reflecting the record 1961 sunflowerseed crop. Soybean exports

from Communist China may increase slightly from the very low levels of the past two years. Although the 1962 crop may have been slightly lower than the previous year's, increased grain and other food crop production would relieve the pressure on soybean demand for domestic use. Substantial grain imports in the past two years, on credit terms, should increase China's need for foreign exchange to meet commitments that are due for payment. Any increase in soybean exports would be to Japan, as these two countries favor an expansion in trade that was resumed in 1961. China has shipped limited quantities of soybeans — if any — to the Soviet Union since 1960, and this situation will probably continue for the current marketing year.

TABLE 2. — Soybeans: Chinese exports, by area and country, annual 1958-62

Destination	Quantity					Percent of total				
	1958	1959	1960	1961	1962 ^{1/}	1958	1959	1960	1961	1962
	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.	Per- cent	Per- cent	Per- cent	Per- cent	Per- cent
Western Europe	8.7	18.2	23.2	8.0	} 5.5	20	30	57	57	} 44
Soviet Eastern Europe . .	11.8	16.4	3.1	3.0		28	28	8	21	
Soviet Union	17.6	23.5	12.9	(^{2/})	(^{2/})	41	40	32	—	—
Japan	3.3	—	(^{2/})	1.6	6	8	—	—	12	48
Other countries	1.2	1.2	1.1	1.4	1	3	2	3	10	8
Total	42.6	59.3	40.3	14.0	12.5	100	100	100	100	100

^{1/}Partly estimated. ^{2/}Negligible. ^{3/}5,400 bushels.

It appears that the Soviet Union's domestic production of fats and oils will continue to expand in 1963. This would mainly reflect more animal fat production and larger carryin stocks of oilseeds and oils as production of sunflowerseed, their major crop, will be about the same as the year before. The small net export position of the Soviet Union in 1962 will probably continue this year. (As in 1961, the Soviet Union last year purchased inedible tallow — about 33,000 tons direct from the United States.)

Edible Vegetable Oils and Oilseeds

Canada.--In 1962, Canada produced 160,000 short tons of rapeseed — down 45 percent from the record outturn of the previous year. Farmers shifted much acreage to wheat, because large sales of wheat to Communist China encouraged expansion of this crop. Further deterrents to planting rape last spring were larger supplies of the product, and declining prices for it through the fall of 1962.

Although the carry-in of 1961 crop rapeseed was large last August 1 (the start of the marketing year), total supplies were down about 25 percent from a year earlier. Thus exports of rapeseed in 1962-63 are not expected to equal the 175,000 tons shipped the previous year. Despite the decline in Canada, however, world production of rapeseed in 1962 was expected to exceed the 1961 record outturn, with larger crops in the other important exporting countries of Sweden, France and Denmark.

Argentina.--Exports of edible oils from Argentina in the October 1962-September 1963 period are expected to be up from the estimated 65,000 tons of last year. In early 1962 Argentine producers harvested a record peanut crop and the largest sunflowerseed crop in

10 years. Edible oil supplies were exceptionally large last October, and exports in October 1962-March 1963 will be up sharply from the negligible volume of a year earlier. Exports in April-September of 1963 probably will be smaller than in the previous year. Oil exports in this period will come mainly from the oilseed crops to be harvested this March. Acreage planted to sunflower last fall was down considerably because of relatively low prices. As most of the sunflower crop is used domestically, prices did not rise as sharply as those for major export crops which were stimulated by the decline in the value of the peso. Favorable prices encouraged increased planting of corn and other coarse grains. As peanut production is confined to a small area, prices of competitive crops have only a limited effect on acreage, and it would be unusual if yields continue as high as last year's near-record level.

India.--The 1962-63 peanut crop is not expected to vary much from the 4.7 million metric tons of a year earlier. The crop probably will be late coming to market because of unfavorable weather early in the growing season. India's strong domestic demand limits the availability of peanuts and peanut oil for export. Exports of defatted peanut meal are sizable—about 500,000 tons in 1962. Most of the meal was exported to East European countries and the United Kingdom.

Nigeria.--Peanut and peanut oil exports from Nigeria in 1962-63 are expected to increase about 15,000 tons (oil basis), up 4 percent from the previous year. This forecast is based on the slightly larger crop and increased stocks from a year earlier.

The commercial peanut crop harvested last fall is expected to total 1.1 million tons, unshelled basis. Purchases by the Nigerian Marketing Board, through which about three-fourths of the crop is sold for export, will be up about 10,000 tons, oil equivalent, from the previous year, and an increase of about 5,000 additional tons will come from large stocks. Peanut deliveries to Nigerian crushing mills were larger in 1961-62 and exports of peanut oil increased.

Producer prices at Kano for 1962-63 crop peanuts will probably average about \$75 a ton—or \$9.30 below the price a year ago. This reflects a reduction in the price for peanuts delivered to port, as set by the Marketing Board. For 1961-62 crop peanuts, the Board made a similar price reduction from a year earlier.

The returns on export sales have not covered the marketing costs and support price operations. Last October, Nigeria shelled peanuts, c.i.f. European ports, were down about \$20 a metric ton compared to a year earlier.

Formation of an African Groundnut (peanut) Council was started in 1962 as delegates from Nigeria, Senegal, Mali, Niger and Upper Volta developed plans to control their combined export sales of peanuts and peanut oil. The joining together of the Nigerian and Senegalese marketing organizations would be of major importance, as the combined peanut and peanut oil exports from these countries in 1961 totaled 460,000 tons, oil equivalent—about half of total world exports.

Senegal, Mali, Niger.--The commercial outturn (available for crushing and export) of unshelled peanuts from the 1962 crops of Senegal, Mali and Niger are expected to total 1.2 million tons—about 10,000 tons more, oil equivalent, than a year earlier. In Senegal, which accounts for 80 percent of the combined peanut production of these countries, the expected slight increase from the record high of a year earlier was attributed to improved cultural practices.

In 1962 these former French West African colonies continued to reorganize their peanut marketing organizations. France, the major market for West African peanuts, is expected

according to plans of the Common Market to start reducing agreement prices with the 1964 crops. The agreement prices usually are well above world market prices.

About half of Senegal's 1961 peanut crop was marketed through agents of a newly formed semi-government agency which sets producer prices and controls the sale of peanuts to domestic crushers as well as for export. Peanut sales by the producers are being made increasingly through cooperatives. A similar semi-governmental organization of Niger's peanut industry is being made.

From Senegal's 1962 crop France has agreed to purchase 235,000 tons, oil equivalent, of peanuts and peanut oil. The agreement prices of \$194 per ton of shelled peanuts, c.i.f. French ports, is the same as a year earlier. Nigerian peanuts, same basis at European ports, were selling for about \$18 a ton below this price last December.

Palm Oils

World exports of palm oils (coconut, palm, and palm kernel) are expected to increase slightly in 1962-63 because of larger copra production in Indonesia and possibly in the Philippines. Shipments of palm and palm kernel oil probably will not increase from the low level of a year ago.

Philippine copra exports were down substantially in 1962, more than offsetting larger coconut oil shipments. Exports of copra and coconut oil were limited in the first half of 1962 but trended upward in the last half. West European copra and coconut oil supplies were depleted last year, although prices were well below a year ago. Prices strengthened in the fall of 1962, as increased supplies from the Far East were used for rebuilding stocks.

Palm and palm kernel exports in 1962-63 are not likely to increase from the low level of last year. In Nigeria, which accounts for about half of the world exports, the Marketing Board price for the 1962 season was considerably below the previous year. Delivery of palm kernels and oil to the Board were down sharply. As palm oil is an important local food crop, consumption probably increased last year. Many of the oil palms grow in a semi-wild state and the use of cultural practices by the natives is limited.

Marine Oils

A reversal in the steep upward trend in the past several years, of world marine oil exports is expected in 1963. A further downturn in whale oil output will probably offset a continued expansion of fish oil shipments.

The sharp drop in whale oil prices in 1961-62 was largely the result of abundant world supplies of very competitively priced fish and vegetable oils. Whale oil prices have trended downward in recent years, although a further decline in price from the currently low level is not likely. The costly operation of whaling ships has proven difficult to maintain for some countries. Norway, a major exporter of finished marine oil products, has four factory whaling ships in the 1962-63 Antarctic whaling expedition, compared with seven ships the previous year.

World exports of fish oil will continue upward in 1963, although not at the rapid rate of recent years. Exports expanded sharply last year as production continued upward and larger oil supplies were carried over from a year earlier. The rate of increased outturn in 1962 was below that of earlier years and this leveling off of world production is expected to continue in 1963. Most of the phenomenal growth in Peru's fish oil and meal industry has probably been witnessed, and if further expansion occurs it will probably be made gradually.

In the West European market last October, Peruvian semi-refined fish oil was selling for \$80 a metric ton — about one-third less than a year earlier.

Production and Trade of Western Europe

It appears that in 1962-63 Western European countries will import more fats and oils than a year earlier. A reduction in stocks over the past two years will favor some rebuilding. A sharp decline in olive oil production will more than offset a larger outturn of rapeseed oil and a continued expansion of animal fats. This past October vegetable oil prices were substantially lower than a year before, but some upward price trend for most vegetable oils is expected this year. Total consumption of edible vegetable oils may increase as the use of cooking and salad oils, and shortening, continues to grow. Margarine consumption may be up slightly, after losing ground to butter in recent years.

The 1962-63 olive oil outturn of the Mediterranean Basin is expected to be 25 percent less than the 1.4 million short tons produced the previous year. This year's combined outturn from Greece and Italy — where record olive crops were harvested in 1961 — is expected to be down about 300,000 tons.

Spain's production is expected to be no larger and possibly may be somewhat smaller than last year's low outturn of 375,000 short tons. Carry-in stocks probably were below the previous year, so total supplies in 1962-63 will be down from the year before. A smaller olive crop in Italy will be largely offset by increased stocks of oil, yet imports — mostly as oilseeds — are expected to rise from the reduced level of the previous year. Italian trade restrictions favor imports of oilseed rather than of oil, and an expanding poultry industry requires larger supplies of meal.

COMMON MARKET DEVELOPMENTS

A common agricultural policy for fats and oils is yet to be adopted by the European Economic Community. The most significant developments in 1963 were the negotiations with the associated overseas countries and territories, including the large peanut and palm oil producers of Africa. These negotiations will result in the renewal early this year of the convention that will determine the aid and trade policies of the EEC and these countries.

Under the new convention the EEC will provide \$750 million in aid to 18 independent African associated countries. Most of the funds — about \$500 million — will be in the form of non-repayable grants for social and economic development, and their use will be largely determined by the recipient country. Most likely some of these funds will be used by the African countries to help their oilseed economies. The remaining funds will be used to support or diversify their basically agricultural economies.

The purpose of this aid is to permit a gradual elimination of the price supports maintained by France for peanuts and other agricultural commodities in the former French West African countries. Several of the states have already abolished guaranteed export prices, although the major peanut exporting countries will not begin the elimination of guaranteed prices until the 1964-65 crop year. The elimination of guaranteed prices for palm oil will start with the 1963-64 crop year. In the interim, and until a common EEC fats and oils policy is established, the French system of support prices above world prices will continue.

The EEC Commission in mid-1961 proposed a policy for fats and oils, but it has not yet been adopted. It provided for guaranteed prices to vegetable oil producers in the community and associated states. Deficiency payments to Italian olive oil producers and associated

Table 3. — Import tariffs on specific oilseeds and oilseed products: By Common Market countries, January 1, 1961 and 1962; and by the United Kingdom, January 1, 1962; and EEC Common External Tariff

Item	External tariffs of Common Market countries											EEC	United Kingdom
	January 1, 1961											Common	January 1, 1962
	January 1, 1962											External	
	Germany, W.	Benelux	France	Italy	Germany, W.	Benelux	France	Italy	Percent Ad Valorem	Percent Ad Valorem	Tariff 2/	General	
Percent Ad Valorem	Percent Ad Valorem	Percent Ad Valorem	Percent Ad Valorem	Percent Ad Valorem	Percent Ad Valorem	Percent Ad Valorem	Percent Ad Valorem	Percent Ad Valorem	Percent Ad Valorem	Percent Ad Valorem	Common-wealth		
For Food Use:													
Soybean oil, crude	5.0	5.0	16.2	25.0	6.5	6.5	15.6	18.4	18.4	3/ 10.0	15.0	free	
Cottonseed oil, crude	5.0	5.0	16.2	25.0	6.5	6.5	15.6	18.4	18.4	3/ 10.0	10.0	free	
Soybean oil, refined	10.0	10.0	16.2	25.0	11.5	11.5	16.2	19.8	19.8	3/ 15.0	15.0	free	
Cottonseed oil, refined	10.0	10.0	16.2	25.0	11.5	11.5	16.2	19.8	19.8	3/ 15.0	10.0	free	
For Industrial Use:													
Linseed oil, crude	free	5.0	4/ 13.5	6.0	5/ 1.5	5.0	1.5	5.1	5.1	5.0	15.0	free	
Linseed oil, refined	12.0	10.9	16.2	6.0	5/ 10.8	9.4	3.0	6.6	6.6	8.0	15.0	free	
Soybeans	free	free	4/ 4.5	free	free	free	4/ 4.5	free	free	free	5.0	free	
Flaxseed	free	free	4/ 7.2	free	free	free	free	free	free	free	10.0	free	
Soybean meal	free	free	4/ 7.2	free	free	free	free	free	free	free	15.0	free	
Other oilseed meals	free	free	4/ 7.2	free	free	free	free	free	free	free	10.0	free	

^{1/}Effective August 26, 1962. Reflects an additional 10 percent cut from the January 1, 1962, reduction. ^{2/}Proposed to be effective January 1, 1970. ^{3/}For industrial use, soybean and cottonseed oils carry 5 percent tariff (crude) and 10 percent tariff (refined). ^{4/}Suspended. ^{5/}Rendered inedible under customs supervision or imported under customs supervision.

African peanut producers would gradually be eliminated, and the market price of fats and oils would then operate freely. Funds to finance the payments were to come from a variable excise tax to be levied on EEC-produced and imported oilseeds and oils.

The renewal of the overseas convention will require some changes in the original EEC proposal for fats and oils. In addition, it is likely that a fats and oils policy will not be approved until the Community has made a decision on the relationship between butter and other fats and oils. There are proposals to tax fats and oils to subsidize the production and consumption of butter. The adoption of any such tie-in relationship would be a departure from the Commission's original position to handle dairy fats separate from vegetable and marine oils.

Completion of the first step in a three-step adjustment of member country tariffs towards the common EEC external tariffs (CXT) was made by January 1, 1962. The second 30-percent change in the six-member country tariff toward the CXT must be completed prior to 1966, and final adjustment be made by January 1, 1970.

OUTLOOK FOR U. S. EXPORTS

Soybeans

U. S. exports of soybeans in the 1962-63 marketing year are expected to reach a new high of 175 million bushels, compared with the previous record of 153 million bushels a year earlier. An expanding domestic market and a large export movement will absorb the current crop.

Soybean exports from Communist China may increase slightly but will continue at a relatively low level. A decided shift in Chinese soybean shipments from Western Europe to Japan occurred in 1961-1962, and will probably continue this year. This change has moved the competition of Chinese soybeans with U. S. soybeans from Western Europe to Japan. A continuation of tight food supplies will tend to limit increased soybean exports from Communist China.

Almost two-thirds of the estimated increase in U. S. soybean exports in 1962-63 will go to Western Europe. The demand for soybean meal in this market is expanding rapidly as improved feeding practices require high protein feeds. In recent years Western Europe became a major market for U. S. poultry meat. With the advent of the Common Market and high levies on imported poultry, the member countries are greatly expanding their domestic poultry industries, with consequent demand for more and higher quality mixed feeds. Results of a recent study by FAS indicate Western Europe will about double imports of U. S. soybean meal in the next five years. The improving economies and rising standards of living in this area are encouraging an expansion in livestock and poultry production.

The use of soybean oil in Western European countries is gradually increasing as changes in the direction of consuming more salad and cooking oils are providing new markets. As consumer incomes continue to rise, the use of edible vegetable oils for making doughnuts, french fries, and potato chips probably will expand.

Increasing butter production has restricted a general rise in margarine consumption. Dairy farming in Western Europe, as in the United States, is subsidized by various government programs. A combination of larger dairy herds and higher yields per cow has increased the volume of fluid milk processed into butter. The import quota system of Great Britain has tended to further increase butter stocks in Western Europe.

Despite increased competition from Chinese soybeans, the United States will continue to benefit from the growing Japanese soybean market. Japan raised the tariff on soybeans from 10 to 13 percent when imports were liberalized in July 1961. Since then, Japanese oil-seed processors have claimed imported soybeans are priced too high for profitable operations, and an effort will probably be made to reduce the duty. The present situation also is putting pressure on the Japanese processing industry to increase its efficiency.

Soybean and Cottonseed Oils

Exports of U.S. soybean and cottonseed oils during 1962-63 are expected to approach 2.2 billion pounds, compared with the previous high of 1.8 billion shipped last year. Most of the increased movement will be soybean oil, as cottonseed oil exports are expected to continue at about 500 million pounds. Oil exports for dollars will increase considerably, but not as much as exports under the Food for Peace programs.

Small 1962 olive crops in most of the Mediterranean area countries will favor U.S. vegetable oil exports, either for dollars or under the Food for Peace Program, during the current marketing year. Soybean oil exports to Spain will account for about half of total

TABLE 4. — Prices of selected oils and soybeans, c.i.f. European ports, 1955-62

Period	Soybean oil, American crude, bulk	Cottonseed oil, American BPSY, bulk	Peanut oil, Br. W. African crude, bulk	Coconut oil, Straits 3½%, bulk	Linseed oil, Argentine bulk	Soybeans, American No. 2 yellow, bulk	Soybeans, Chinese yellow, bulk
	U.S. cents per pound	U.S. cents per pound	U.S. cents per pound	U.S. cents per pound	U.S. cents per pound	U.S. dollars per bushel	U.S. dollars per bushel
1955	13.3	12.9	13.1	11.5	11.2	3.03	3.13
1956	15.4	16.6	16.7	11.5	14.9	3.14	3.10
1957	13.9	15.9	16.5	11.7	12.2	2.88	—
1958	11.8	^{1/} 13.2	12.6	13.7	12.0	2.57	2.48
1959	10.5	11.6	13.7	16.8	11.2	2.55	2.49
1960	10.1	10.7	14.8	13.6	11.5	2.50	2.46
1961	13.0	14.7	^{2/} 14.9	10.8	12.7	3.00	^{1/} 2.77
1962	10.3	—	12.5	10.3	11.5	2.74	^{3/} 2.70
1961-62:							
Oct.-Dec.	12.0	14.1	13.7	10.1	13.0	2.71	2.66
Jan.-Mar.	11.8	—	14.1	10.3	12.5	2.76	^{4/} 2.70
Apr.-June	10.6	—	12.4	10.4	12.0	2.81	—
July-Sept.	9.1	—	12.0	10.2	11.3	2.65	—
1962-63:							
October . .	9.6	—	11.3	10.5	10.5	2.65	^{5/} 2.71
November.	10.0	—	11.3	—	10.2	2.73	^{6/} 2.72
December.	10.0	—	11.6	—	9.9	2.78	—

^{1/}Six-month average. ^{2/}Beginning 1961, Nigerian. ^{3/}Four-month average. ^{4/}Two-month average. ^{5/}One-week average. ^{6/}Three-week average.

Table 5. — Prices of selected meals, c.i.f. European ports
and U.S. soybean meal Decatur, 1955-62

Period	c.i.f., European ports				Decatur
	Peanut meal, Nigerian, 56%, bagged	Linseed meal, Argentine, 39%, bagged	Fish meal, Peruvian, 65%, bagged	Soybean meal, Canadian, 45%, bagged	Soybean meal, 44%, bulk, unrestricted
	U. S. dol. per short ton	U. S. dol. per short ton	U. S. dol. per short ton	U. S. dol. per short ton	U. S. dol. per short ton
1955	101.89	94.75		92.73	56.87
1956	99.40	95.48		89.41	51.29
1957	90.08	77.57		81.63	47.06
1958	78.97	68.36		85.08	55.96
1959	91.67	88.38	^{1/} 124.59	85.78	56.45
1960	88.87	79.52	93.80	82.17	53.13
1961	84.01	77.50	111.22	90.40	63.15
1962	92.69	86.22	^{2/} 123.95	95.94	66.45
1961-62:					
Oct.-Dec. . . .	87.10	82.37	115.12	88.21	58.33
Jan.-Mar. . . .	89.45	78.85	^{3/} 121.56	89.78	59.37
April-June . .	89.80	81.96	125.49	94.03	64.43
July-Sept. . .	94.03	89.13	123.92	98.41	72.10
1962-63:					
October	95.67	92.97	124.38	101.25	69.00
November . . .	97.55	92.50	124.38	101.72	70.60
December . . .	99.19	99.36	123.29	101.61	70.50
^{1/} December 1959. ^{2/} Eleven-month average. ^{3/} Two-month average.					

estimated U. S. vegetable oil exports for dollars. Supplies of edible oils in Spain are relatively tight. In past years, Spain has pursued the policy of exporting olive oil to earn foreign exchange, and importing lower priced U. S. soybean oil for domestic use. Spain exported about 90,000 short tons of olive oil in 1961-62, compared with 150,000 tons in each of the two preceding years. Last year, Spain varied its import pattern by liberalizing peanut and peanut oil imports. The government, which controls most fats and oils imports, also authorized imports of specified quantities of other oilseeds and vegetable oils. Although this is an indication Spain probably desires to alter the role of the United States as the sole supplier of vegetable oils, a significant change is not likely for several years. If, in the long run, Spain is accepted by the EEC, the United States would probably lose a portion of its largest foreign market for vegetable oil. Duty-free vegetable oil imports from EEC member countries would be more attractive to Spain than vegetable oil imports from the United States that would have to hurdle the common external tariff. Also, with an expanding livestock and poultry industry, Spain is expected to increase imports of soybeans to supply meal for mixed feeds. The oil outturn from the imported soybeans will tend to reduce the need of soybean oil imports.

U. S. vegetable oil exports under Public Law 480 are expected to increase sharply in 1962-63. Most of the increase will occur under Title I. Continuing programs are in effect with Egypt, Israel, Pakistan, Turkey and Yugoslavia. Title I programs have been undertaken for the first time with Morocco and Tunisia, and others are expected in the future. The availability of butter under Title III foreign donation programs will curtail vegetable oil exports under this program, but a greater number of Title IV long-term dollar credit programs probably will offset this in part.

Marketing specialists of the Foreign Agricultural Service have visited and surveyed foreign markets for U. S. vegetable oils. These studies have been highly useful to U. S. trade interests. Information and recommendations on foreign market problems involving processing, financing, packaging, transportation, handling, and consumer preferences have been published and distributed to the U. S. oilseed and oilseed products trade.

Oilseed Meals

U. S. exports of oilseed meals in 1962-63 are expected to continue around the record level of 1.1 million tons established a year earlier. Meal exports will be restrained by Western Europe's ability to import more oilseeds to replenish rather reduced stocks of fats and oils.

In 1961-62, U. S. exports of soybean meal to Western Europe were double the volume of a year earlier, prompted by (1) an expanding poultry industry, (2) poor 1961 European fodder crops and a late spring in 1962 that lengthened the period for use of mixed feed for livestock, and (3) heavy stocks of fats and oils that hampered the competitive position of imported oilseeds vis-a-vis meal. In the current decade the trend towards more mixed feed, and the greater acceptance of soybean meal as a major feed ingredient, will require a sharp increase in meal imports by this area.

The rapid expansion in world fish meal exports continued in 1962, mainly reflecting increased production by Peru. That country's fish meal exports have climbed from 30,000 tons, in 1956, to an estimated 1.1 million tons last year. Although further export expansion is expected in 1963, it is believed that the rate of increase of recent years will not be maintained. A high protein ingredient of mixed feeds, fish meal is very competitive with soybean meal in poultry and hog rations.

Flaxseed

World production of flaxseed in 1962, which will be marketed mainly in 1963, is estimated at 130 million bushels. This is an increase of 13 million bushels from the previous year, and 6 million above the 1957-60 average. United States output accounted for three-fourths of the increase, and slightly larger crops were harvested also in the important exporting countries of Canada and Argentina.

In 1963, world exports of flaxseed and seed equivalent of linseed oil will probably be slightly larger than the estimated 50 million bushels shipped a year earlier. U. S. exports of flaxseed will increase this year. Linseed oil exports from Argentina — mostly from the 1961 crop — will be heavy in the October-March period of 1962-63. A large 1962 flaxseed crop recently harvested in Argentina should insure continuing large exports in the April-September period of this year.

World prices of flaxseed and linseed oil declined sharply in the June-December period of 1962, mainly because of the larger U. S. crop and the increased rate of linseed oil exports from Argentina. In Western Europe, reduced stocks of linseed oil were replenished somewhat. With large supplies available for export in the United States and Argentina, flaxseed and linseed oil prices will probably continue at the currently low levels through the first half of 1963.

United States.--The 1962 U.S. flaxseed crop was 32 million bushels, a 45 percent increase from a year earlier. Larger acreage and higher yields per acre accounted for the increased outturn. For the 1962-63 marketing year, about 10 million bushels will be available for export, compared with exports of 2 million bushels in 1961-62. Prices to farmers for 1962 crop flaxseed will average around the support of \$2.90 a bushel, or 10 percent below the previous year.

Argentina.--The first official estimate of Argentina's 1962 flaxseed crop is 33 million bushels, a slight increase from last year's large outturn. Although acreage was up, dry weather in the early part of the growing season reduced yields. With larger carry-in stocks as of December 1, 1962 (beginning of Argentina's marketing year) Argentina's total supply of flaxseed and linseed oil probably will exceed 35 million bushels. Thus, exports could exceed the estimated 27 million bushels of 1961-62. The effects of fluctuation in the peso value on linseed prices could influence exports.

Canada.--The total flaxseed supply in Canada on August 1, 1962, the beginning of the current marketing year, was 21 million bushels — slightly less than a year earlier. A third less acreage was planted to flaxseed in 1962, but high yields resulted in a 16 million bushel outturn — 1 million more than a year ago. Exports of flaxseed in 1962-63 are not expected to equal the estimated 12 million bushels — including seed equivalent of oil — exported the previous year. Canadian flaxseed prices remained fairly stable through May of last year, but then trended downward as Argentina greatly accelerated exports of linseed oil and a large U. S. crop moved on the market.

India.--The 1962 flaxseed crop of 15.6 million bushels in India was about the same as a year earlier. Flaxseed production in India has been very stable in the past decade. Most of the seed is crushed for domestic use, both for edible use and as a drying oil in paints.

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